

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05
CIEP-01 SS-15 STR-04 OMB-01 CEA-01 L-03 H-01 PA-01
PRS-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02
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FM AMEMBASSY MEXICO

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E. O. 11652: N/A

TAGS: EFIN MX EALR MX

SUBJECT: KEY MINISTER'S ECONOMIC VIEWS.

1. SUMMARY: MINISTER OF NATIONAL PROPERTIES AND INDUSTRIAL DEVELOPMENT TOLD PRESS CONFERENCE THAT FURTHER REDUCTIONS IN CONSUMPTION WERE NOT POSSIBLE AND ONLY THROUGH INCREASED OUTPUT COULD INFLATION BE OVERCOME. HE ALSO SAID THAT GOVERNMENT WOULD NOT INTERFERE WITH PRIVATE INDUSTRY.

END SUMMARY.

2. JOSE ANDRES DE OTEYZA, MINISTER FOR NATIONAL PROPERTIES AND INDUSTRIAL DEVELOPMENT, HELD A PRESS CONFERENCE ON JANUARY 5. DE OTEYZA IS THE YOUNGEST MINISTER (AT AGE 34), AND HIS MINISTRY'S RESPONSIBILITIES HAVE BEEN EXPANDED TO INCLUDE THE GOVERNMENT'S INDUSTRIAL DEVELOPMENT EFFORTS AS WELL AS MANAGEMENT OF MOST GOM-OWNED INDUSTRIAL PROPERTIES. HE IS CAMBRIDGE-EDUCATED AND HIS VIEWS APPEAR TO REFLECT THE SO-CALLED CAMBRIDGE SCHOOL OF ECONOMICS. HE IS SAID TO BE INFLUENTIAL IN THE NEW ADMINISTRATION. WE ARE, THEREFORE, REPORTING THE VIEWS HE EXPRESSED AT A PRESS
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CONFERENCE IN THE FOLLOWING PARAGRAPHS WHICH ARE BASED ON NEWSPAPER ACCOUNTS.

3. THE ONLY MANNER TO BREAK THE INCREASE IN PRICES IS TO INCREASE SUPPLY BY INCREASING OUTPUT. UNFORTUNATELY, MEXICO IS A RELATIVELY POOR COUNTRY AND IT IS NOT POSSIBLE TO BRAKE DEMAND OR REDUCE CONSUMPTION.

4. IN SEVERAL YEARS, THE BASIC INVESTMENTS IN SUCH AREAS AS STEEL, ENERGY AND FERTILIZER WILL BEGIN TO PAY OFF IN TERMS OF INCREASED OUTPUT. THE NATURE OF INVESTMENTS IN THESE AREAS ARE SUCH THAT THERE IS A LONG LEAD TIME BEFORE FULL PRODUCTION CAN BE ATTAINED. THIS SAME TIME SPAN IS NECESSARY TO RESTRUCTURE AND ORGANIZE AGRICULTURAL PRODUCTION. (COMMENT: THE PAST ADMINISTRATION JUSTIFIED INCREASES IN PUBLIC SPENDING AND SUBSEQUENT INFLATION BY MAINTAINING THAT EVENTUALLY THE FRUITS OF PUBLIC SECTOR INVESTMENTS WOULD REDUCE INFLATION. THE NEW GROUP SEEMS TO BE SAYING THAT THIS IS STILL SEVERAL YEARS OFF.)

5. THE GOVERNMENT WILL NOT INTERFERE WITH PRIVATE SECTOR PLANS, EVEN IF THIS MEANS INVESTMENTS IN NON-PRIORITY AREAS. THE PRIORITY AREAS ARE FOODSTUFFS, ENERGY, STEEL, PETROCHEMICALS, FERTILIZERS, CAPITAL GOODS AND BASIC CONSUMPTION GOODS.

6. REGARDING OIL, MEXICO IS EXPORTING 150,000 BARRELS A DAY, THEREBY EARNING \$700 MILLION A YEAR, WHICH IS HELPING THE BALANCE OF PAYMENTS AND FINANCING IMPORTS OF ESSENTIAL GOODS. OIL IS NOT BEING EXPORTED INDISCRIMINATELY, BUT RATHER OIL IS A RESOURCE THAT MUST BE USED RATIONALLY. IT IS NOT BEING WASTED, AND THE COUNTRY WILL NOT BE IMPOVERISHED IN THE FUTURE.

7. PUBLIC SECTOR AS WELL AS PRIVATE ENTERPRISES SHOULD LIMITED OFFICIAL USE

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BE PROFIT-MAKING. PROFITS ARE THE BASIS OF CAPITAL. HOWEVER, PUBLIC SECTOR ENTERPRISES HAVE BROADER RESPONSIBILITIES THAN PRIVATE ENTERPRISES. IN ANY CASE, SUBSIDIES FOR PUBLIC SECTOR ENTERPRISES SHOULD BE TRANSITORY AND OPEN, RATHER THAN PERMANENT AND HIDING INEFFICIENCIES.

8. COMMENT: DE OTEYZA'S VIEWS ON OVERCOMING INFLATION THROUGH INCREASED OUTPUT AND THE NEED FOR TWO YEARS BEFORE ANY SIGNIFICANT PROGRESS IS MADE ECHO THOSE OF THE PRESIDENT (SEE MEXICO 58), AND VERY LIKELY INFLUENCED THESE.
JOVA

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Sent Date: 07-Jan-1977 12:00:00 am
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